DR RUTH S MOMPATI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

General Information

Legal form of entity	District Municipality

Mayoral committee

Executive Mayor	Cllr B.L. Mahlangu: Directly Elected Greater - Taung Local Municipality
Speaker	Cllr L.V. Maogwe: Directly Elected Naledi Local Municipality
MMC: Economic Development, Tourism & Agriculture	Cllr L. Mamapula: Greater Taung Local Municipality
MMC: Budget and Treasury	Cllr L.V. Molefe: Mamusa Local Municipality
MMC: Planning and Development	Cllr M.K.I. Olifant: Greater Taung Local Municipality
MMC: Community Services	Cllr O.R. Modise: Naledi Local Municipality
MMC: Corporate Services	Cllr B. Setlhabetsi: Directly Elected - Kagisano Local Municipality
MMC: Engineering and Technical Services	Cllr G. Kgabo: Directly Elected – Lekwa-Teemane Local Municipality
Chair: Municipal Public Accounts Committee	Cllr O.P. Moirwagale: Directly Elected - Kagisano Local Municipality
Councillors	Cllr C.P. Herbst: Mamusa Local Municipality
	Cllr D. Molapo: Directly Elected- Mamusa Local Municipality
	Cllr O.J. Balebanye: Greater Taung Local Municipality
	Cllr D.A Itumeleng: Greater Taung Local Municipality
	Cllr M.M. Mokomele-Mothibi: Directly Elected Greater -Taung Local Municipality
	Cllr M.V. Mosinkiemang: Greater Taung Local Municipality
	Cllr D. Mothibedi: Greater Taung Local Municipality
	Cllr T.P. Sebe: Greater Taung Local Municipality
	Cllr T. Tlhaganyane: Greater Taung Local Municipality
	Cllr J.A. Adonis: Naledi Local Municipality
	Cllr A.N. Bareng: Naledi Local Municipality
	Cllr M.E. Keetile: Directly Elected-Naledi Local Municipality
	Cllr P. Maleke: Directly Elected Naledi Local Municipality
	Cllr M.M. Mkadawira: Directly Elected – Naledi Local Municipality
	Cllr L.T.E. Mocumi: Directly Elected-Naledi Local Municipality
	Cllr S.D.J. Strydom: Directly Elected-Naledi Local Municipality
	Cllr K.D. Tshite: Directly Elected-Naledi Local Municipality
	Cllr B.R. Bareng: Kagisano-Molopo Local Municipality
	Cllr M.M. Diphikwe: Kagisano-Molopo Local Municipality
	Cllr T.M. Lenkopane: Kagisano-Molopo Local Municipality
	Cllr T.C. Loabile: Kagisano-Molopo Local Municipality
	Cllr E. Biljon: Lekwa-Teemane Local Municipality
	Cllr M.W. Moseswa: Lekwa-Teemane Local Municipality

Previous Council Members (Resigned 09 August 2016)

Executive Mayor	Cllr C.E. Tladinyane: Directly Elected - Kagisano/Molopo Local Municipality
Speaker	Cllr N.W. Skalk: Directly Elected - Naledi Local Municipality
MMC: Economic Development, Tourism & Agriculture	Cllr M.S. Montshioagae: Directly Elected - Greater-Taung Local Municipality
MMC: Budget and Treasury	Cllr M.K. Mojanaga: Directly Elected - Greater-Taung Local Municipality
MMC: Planning and Development	Cllr P.W. Kgosieng: Directly Elected - Greater-Taung Local Municipality
MMC: Community Services	Cllr M.S. Moyake: Directly Elected - Mamusa Local Municipality
MMC: Corporate Services	Cllr K.G. Sereko: Directly Elected - Greater-Taung Local Municipality
MMC: Engineering and Technical Services	Cllr S.F. Kgodumo: Directly Elected - Naledi Local Municipality
Chair: Municipal Public Accounts Committee	Cllr O.V. Mongale: Greater-Taung Local Municipality
Councillors	Cllr L.D. Motlapele: Mamusa Local Municipality
	Cllr M.P. Ditshakane: Greater-Taung Local Municipality
	Cllr J.L. Halenyane: Greater-Taung Local Municipality
	Cllr M.S. Kanyane: Greater-Taung Local Municipality
	Cllr R. Mokoto: Greater-Taung Local Municipality
	Cllr K.P. Molifi: Greater-Taung Local Municipality
	Cllr. JB Moncho: Greater-Taung Local Municipality
	Cllr J.G. Brand: Directly Elected Naledi Local Municipality
	Cllr M.J. Nchochoba: Naledi Local Municipality
	Cllr. D. Van Tonder: Naledi Local Municipality
	Cllr K.D. Baepi: Kagisano/Molopo Local Municipality
	Cllr L.E. Gaobepe-Boeme: Directly Elected - Kagisano/Molopo Local Municipality
	Cllr M.P. Letebele: Kagisano/Molopo Local Municipality
	Cllr K.V. Mokhuane: Directly Elected - Kagisano/Molopo Local Municipality

General Information

Cllr G.K. Nthebotsenyane: Kagisano/Molopo Local Municipality
Cllr. G Toba: Kagisano/Molopo Local Municipality
Cllr M.G. Tong: Directly Elected - Kagisano/Molopo Local Municipality
Cllr K.G.N. Palagangwe: Lekwa-Teemane Local Municipality
Cllr I.M. Snyman: Lekwa-Teemane Local Municipality
Kgosi N.C. Motlhabane: Ba ga Maidi - Taung

General Information

Accounting Officer	Mrs E. Moncho (Acting Municipal Manager) Contact information: (053) 928 4719 082 766 9933 monchoe@bophirima.co.za
Chief Finance Officer (CFO)	Ms Segomotso Phatudi Contact Information (053) 928 4702 phatudis@bophirima.co.za
Nature of business and principal activities	District Municipality
Grading of local authority	Grade 3
Business address	50 Market Street Vryburg 8600
Postal address	PO Box 21 Vryburg 8600 053 928 4700
Bankers	First National Bank
Auditors	The Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Moncho

ACCOUNTING OFFICER
Mrs E. MONCHO (Acting Municipal Manager)

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit Committee Responsibility
The Audit and Performance Committee reports that it has complied with its responsibilities arising from section 166(2) of the MFMA. The Audit and Performance Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations were reported by the internal auditors .

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the internal auditors of the municipality during the year under review.

Evaluation of annual financial statements

The Audit and Performance Committee has:

- reviewed the unaudited annual financial statements to be included in the annual report,
- reviewed the information on predetermined objectives.

Internal audit

The Audit and Performance Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Conclusion

We therefore recommend that the Accounting Authority submit the unaudited draft annual financial statements and unaudited draft annual report to the Auditor General of South Africa for audit purposes

Chairperson of the Audit and Performance Committee

Date: 31 August 2017

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The district municipality is a water services provider and operates principally in the North West.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

On the 31st of July 2017, Mr Z.E.L. Tshetlho's appointment as the Municipal Manager was terminated as per council resolution no. 246/2016/17. Mrs E. Moncho was subsequently appointed as the Acting Municipal Manager with effect from the 1st of August 2017 as per council resolution 06/2017/18.

4. Accounting Officer's interest in contracts

The accounting officer does not have any interest in any contract concerning Dr Ruth S Mompati Municipality.

5. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no details of major changes in the nature of the non-current assets of the municipality during the year.

7. Bankers

The bankers of Dr Ruth S Mompati District Municipality is First National Bank (FNB).

8. Auditors

The Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Operating Lease Asset	31	88 970	22 065
Receivables from non-exchange transactions	2	10 913 305	3 757 064
VAT receivable		79 130 156	57 514 261
Prepayments	30	-	10 241 893
Cash and cash equivalents	3	82 498 973	45 661 472
		172 631 404	**117 196 755**
Non-Current Assets			
Investment property	4	5 568 662	4 553 562
Property, plant and equipment	5	2 225 049 557	1 963 832 497
Intangible assets	6	1 525 915	964 705
		2 232 144 134	**1 969 350 764**
Total Assets		**2 404 775 538**	**2 086 547 519**
Liabilities			
Current Liabilities			
DBSA Loan	32	10 800 000	10 800 000
Operating Lease Liability	31	236 654	271 612
Payables from exchange transactions	7	154 733 651	146 605 313
Unspent conditional grants and receipts	8	37 658 156	898 365
		203 428 461	**158 575 290**
Non-Current Liabilities			
DBSA Loan	32	54 837 565	65 633 888
Provisions	9	37 537 000	36 974 000
		92 374 565	**102 607 888**
Total Liabilities		**295 803 026**	**261 183 178**
Net Assets		**2 108 972 512**	**1 825 364 341**
Reserves			
Revaluation Reserves		9 825 736	8 439 403
Accumulated surplus		2 099 146 776	1 816 924 938
Total Net Assets		**2 108 972 512**	**1 825 364 341**

* See Note 29

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Other income		343 993	797 369
Rental of facilities and equipment		942 373	797 142
Interest earned - external investment		14 195 977	6 642 773
Total revenue from exchange transactions		**15 482 343**	**8 237 284**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	10	688 096 200	517 849 471
Other Income		1 533 617	-
Total revenue from non-exchange transactions		**689 629 817**	**517 849 471**
Total revenue	11	**705 112 160**	**526 086 755**
Expenditure			
Employee related costs	12	(111 027 488)	(101 235 310)
Remuneration of councillors	13	(6 400 125)	(6 177 327)
Depreciation and amortisation	14	(38 628 843)	(37 668 122)
Impairment loss		(282 473)	(7 057)
Finance costs		(3 436 125)	(2 862 000)
Debt Impairment	33	(141 266)	310 140
Repairs and maintenance	34	(3 141 041)	(1 710 324)
Bulk purchases	15	(130 060 976)	(134 363 874)
Contracted services		(22 636 662)	(32 420 070)
Grants and subsidies paid	16	(79 055 100)	(53 163 087)
General Expenses	17	(25 861 091)	(29 161 080)
Total expenditure		**(420 671 190)**	**(398 458 111)**
Operating surplus		**284 440 970**	**127 628 644**
Loss on disposal of assets and liabilities		(6 725 801)	(1 383 925)
Fair value adjustments	18	1 015 100	149 468
Actuarial gains/losses		3 491 565	(1 372 233)
		(2 219 136)	**(2 606 690)**
Surplus for the year		**282 221 834**	**125 021 954**

* See Note 29

Statement of Changes in Net Assets

Figures in Rand	Revaluation Reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	7 725 632	1 693 495 710	1 701 221 342
Adjustments			
Prior year adjustments (Note 29)	-	(1 592 728)	(1 592 728)
Balance at 1 July 2015	**7 725 632**	**1 691 902 982**	**1 699 628 614**
Changes in net assets			
Fair value gains: Land and buildings	713 771	-	713 771
Prior Period Errors (Note 29)	-	15 599 653	15 599 653
Net income (losses) recognised directly in net assets	713 771	15 599 653	16 313 424
Surplus for the year previously recognised	-	109 422 303	109 422 303
Total recognised income and expenses for the year	713 771	125 021 956	125 735 727
Total changes	713 771	125 021 956	125 735 727
Restated *Balance at 1 July 2016	**8 439 403**	**1 816 924 942**	**1 825 364 345**
Changes in net assets			
Fair value gains: Land and buildings	1 386 333	-	1 386 333
Net income (losses) recognised directly in net assets	1 386 333	-	1 386 333
Surplus for the period	-	282 221 834	282 221 834
Total recognised income and expenses for the year	1 386 333	282 221 834	283 608 167
Total changes	1 386 333	282 221 834	283 608 167
Balance at 30 June 2017	**9 825 736**	**2 099 146 776**	**2 108 972 512**

* See Note 29

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		697 228 956	520 068 722
Interest received		14 195 977	6 642 773
		711 424 933	526 711 495
Payments			
Cash paid to suppliers and employees		(304 514 376)	(333 609 259)
Net cash flows from operating activities	19	**406 910 557**	**193 102 236**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(358 528 205)	(193 978 721)
Proceeds from sale of property, plant and equipment	5	92 873	17 271
Purchase of other intangible assets	6	(802 766)	-
Net cash flows from investing activities		**(359 238 098)**	**(193 961 450)**
Cash flows from financing activities			
Operating lease payments		(34 958)	-
Repayment of DBSA Loan	35	(10 800 000)	(7 200 000)
Net cash flows from financing activities		**(10 834 958)**	**(7 200 000)**
Net increase/(decrease) in cash and cash equivalents		**36 837 501**	**(8 059 214)**
Cash and cash equivalents at the beginning of the year		45 661 472	53 720 686
Cash and cash equivalents at the end of the year	3	**82 498 973**	**45 661 472**

* See Note 29

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	1 772 500	-	**1 772 500**	343 993	**(1 428 507)**	-81%
Rental of facilities and equipment	979 000	-	**979 000**	942 373	**(36 627)**	-4%
Interest received - investment	7 563 075	-	**7 563 075**	14 195 977	**6 632 902**	88%
Total revenue from exchange transactions	**10 314 575**	**-**	**10 314 575**	**15 482 343**	**5 167 768**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	607 120 149	111 000 000	**718 120 149**	688 096 200	**(30 023 949)**	-4%
Other Income	-	-	**-**	1 533 617	**1 533 617**	100%
Total revenue from non-exchange transactions	**607 120 149**	**111 000 000**	**718 120 149**	**689 629 817**	**(28 490 332)**	
Total revenue	**617 434 724**	**111 000 000**	**728 434 724**	**705 112 160**	**(23 322 564)**	
Expenditure						
Employee related costs	(102 355 784)	(5 400 000)	**(107 755 784)**	(111 027 488)	**(3 271 704)**	3%
Remuneration of councillors	(7 077 569)	-	**(7 077 569)**	(6 400 125)	**677 444**	-10%
Depreciation and amortisation	(39 076 109)	38 676 109	**(400 000)**	(38 628 843)	**(38 228 843)**	9557%
Impairment loss/ Reversal of impairments	-	-	**-**	(282 473)	**(282 473)**	100.00%
Finance costs	(10 920 000)	7 800 000	**(3 120 000)**	(3 436 125)	**(316 125)**	10%
Impairment of Receivables	(2 000 000)	-	**(2 000 000)**	(141 266)	**1 858 734**	845%
Repairs and maintenance	(713 000)	(2 490 000)	**(3 203 000)**	(3 141 041)	**61 959**	-2%
Bulk purchases	(106 800 000)	(24 000 000)	**(130 800 000)**	(130 060 976)	**739 024**	-1%
Contracted Services	(16 315 140)	(6 200 000)	**(22 515 140)**	(22 636 662)	**(121 522)**	0%
Transfers and Subsidies	(19 499 000)	(59 459 044)	**(78 958 044)**	(79 055 100)	**(97 056)**	0%
General Expenses	(26 966 239)	(60 000)	**(27 026 239)**	(25 861 091)	**1 165 148**	-4%
Total expenditure	**(331 722 841)**	**(51 132 935)**	**(382 855 776)**	**(420 671 190)**	**(37 815 414)**	
Operating surplus	**285 711 883**	**59 867 065**	**345 578 948**	**284 440 970**	**(61 137 978)**	
Loss on disposal of assets and liabilities	-	-	**-**	(6 725 801)	**(6 725 801)**	100%
Fair value adjustments	-	-	**-**	1 015 100	**1 015 100**	100%
Actuarial gains/losses	-	-	**-**	3 491 565	**3 491 565**	100%
	-	**-**	**-**	**(2 219 136)**	**(2 219 136)**	
Surplus before taxation	**285 711 883**	**59 867 065**	**345 578 948**	**282 221 834**	**(63 357 114)**	
	285 711 883	**59 867 065**	**345 578 948**	**282 221 834**	**(63 357 114)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

The accounting policies on pages 14 to 33 and the notes on pages 34 to 64 form an integral part of the annual financial statements.

The following is a list of the significant exceptions (more than 10% variance) noted from the budget and actual comparison:

Interest Received - Higher than expected interests from investments in the bank accounts.
Councillors Remuneration - Underspending caused by the fact that not all MMC's are full time.
Depreciation - Non - cash item and due the high value of infrastructure assets it is difficult to budget for.
Impaiment losses - Non- cash item and is difficult to budget for.
Finance Costs - Due to actuarial valuations required by GRAP 25.
Impairments of Receivables - Lower than anticipated impairments were done.
Loss on disposals of assets and liabilities - Due to the damage of assets.
Fair Value Adjustments - Increase due to revaluations to the Municipality's immovable property.
Actuarial gains and losses - Due to actuarial valuations required by GRAP 25.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgments is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post - retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

VAT

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

Other

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Accounting Policies

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Infrastructure		
• Earthworks	Straight line	88 years
• Pipes - Clay	Straight line	80 years
• Pipes - Concrete	Straight line	80 years
• Pipes - Steel	Straight line	80 years
• Pipes - uPVC	Straight line	75 years
• Buildings - Brick	Straight line	75 years
• Buildings - Steel	Straight line	88 years
• Buildings - Corrugated Iron	Straight line	15 years
• Buildings - Concrete	Straight line	63 years
• Borehole	Straight line	63 years
• Meters: Bulk	Straight line	23 years
• Meters: Consumer	Straight line	23 years
• Valves	Straight line	50 years
• Standpipes	Straight line	38 years
• Fire Hydrants	Straight line	50 years
• Telemetry	Straight line	18 years
• Motor: Electrical	Straight line	18 years
• Motor: Engine	Straight line	23 years
• Pump: Submersible	Straight line	15 years
• Pump: Centrifugal	Straight line	15 years
• Windmill	Straight line	90 years
• Manholes & Chambers (Brick)	Straight line	73 years
• Manholes & Chambers (Concrete)	Straight line	80 years
• Storage - Steel	Straight line	70 years
• Storage - Plastic	Straight line	48 years
• Reservoirs - Concrete	Straight line	75 years
• Storage - Concrete (Cattle Troughs)	Straight line	75 years
• Support Structure - Steel	Straight line	70 years
• Support Structure - Stone	Straight line	75 years
• Perimeter Protection - Razor Wire	Straight line	28 years
• Perimeter Protection - Precast	Straight line	43 years
• Perimeter Protection - Wire Mesh	Straight line	28 years
• Perimeter Protection - Electrical	Straight line	28 years
• Perimeter Protection - Brick	Straight line	43 years
• Perimeter Protection - Iron Palisade	Straight line	43 years
• Wave Protection	Straight line	95 years
• Switchgear	Straight line	18 years
• Perimeter Protection - Wire	Straight line	28 years
Official vehicles	Depreciation is calculated as the difference between the opening carrying amount and the revalued amount (average of trade and retail values) at year end	Annually
Machinery and equipment	Straight line	7 years
Office equipment	Straight line	5 years
Office furniture	Straight line	7 years
Computer equipment	Straight line	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.4 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.
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An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.5 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	5 years

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

1.6 Financial Instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables	Financial asset measured at amortised cost
Bank Balances	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade Payables	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.6 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.6 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.6 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.8 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generatng unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.9 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.10 Provisions (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 20.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.11 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

1.13 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Donations

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Expenditure

Expenditure shall be recognised when it occurs and in the period in which the expense relates and not only when payment is made.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Accounting Policies

1.19 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. Receivables from non-exchange transactions

Employee debtors	289 819	795 353
Government grants and subsidies	223 467	223 467
Other debtors	11 704 858	3 985 562
Less: Bad Debts Written Off	(1 105 703)	(83 745)
Less: Provision for impairment and receivables	(199 136)	(1 163 573)
	10 913 305	**3 757 064**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 200	1 200
Bank balances (Primary Bank Account)	592 665	11 703 068
Short-term deposits	81 905 108	33 957 204
	82 498 973	**45 661 472**

The municipality had the following bank accounts

Account number / description	**Bank statement balances 30 June 2017**	**Bank statement balances 30 June 2016**
FNB - Account Type - Cheque Account (Primary Bank Account)	592 665	11 703 068
FNB - Account Type - 6 Months Fixed Account	4 500 000	4 500 000
FNB - Account Type - Call Account	11 893 995	264 781
FNB - Account Type - Call Account	20 003 082	417 759
FNB - Account Type - Call Account	1 001 507	995 789
FNB - Account Type - Call Account	-	307 793
FNB - Account Type - Call Account	3	677 839
FNB - Account Type - Call Account	-	38 750
FNB - Account Type - Call Account	16 638 986	1 325
FNB - Account Type - Call Account	431 897	429 431
FNB - Account Type - Call Account	2 429 195	2 415 326
FNB - Account Type - Call Account	-	2 696 542
FNB - Account Type - Call Account	-	38 687
FNB - Account Type - Call Account	29 640	2 681 544
FNB - Account Type - Call Account	33 184	181 147
FNB - Account Type - Call Account	2 889 274	2 333 692
FNB - Account Type - Call Account	4 393	1 955
FNB - Account Type - Call Account	10 795	309 048
FNB - Account Type - Call Account	-	3 457 377
FNB - Account Type - Call Account	7 259	10 570 178
FNB - Account Type - Call Account	22 031 308	1 638 241
FNB - Account Type - Call Account	590	-
Total	**82 497 773**	**45 660 272**

4. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	5 568 662	-	5 568 662	4 553 562	-	4 553 562

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	4 553 562	1 015 100	5 568 662

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	4 404 094	149 468	4 553 562

Details of valuation

The effective date of the revaluations was 30 June 2017. Revaluations were performed by an independent valuer, P Venter who has been appointed as a candidate valuer according to the Property Valuers Profession Act 47 of 2000 and was assisted by HJ Swanepoel who is a professional valuer. Both Venter and Swanepoel are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the comparable sales method which consists of comparing the properties with other properties which have recently been sold in the market and then making the necessary adjustments in order to determine the present market value of the properties.

Amounts recognised in surplus and deficit for the year.

	2017	2016
Rental revenue from investment property	942 373	797 142

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 290 000	-	2 290 000	2 090 260	-	2 090 260
Buildings	12 191 000	-	12 191 000	11 505 640	-	11 505 640
Machinery and equipment	3 507 382	(2 135 414)	1 371 968	3 511 612	(1 717 419)	1 794 193
Office furniture	2 072 725	(1 454 494)	618 231	1 910 856	(1 254 850)	656 006
Official vehicles	21 093 760	(14 796 497)	6 297 263	21 560 169	(13 037 209)	8 522 960
Office equipment	977 499	(717 857)	259 642	935 282	(618 804)	316 478
Computer equipment	5 250 706	(2 951 518)	2 299 188	5 366 378	(3 103 366)	2 263 012
Infrastructure	1 754 277 300	(242 122 643)	1 512 154 657	1 722 949 931	(210 568 476)	1 512 381 455
Work in progress	687 567 608	-	687 567 608	424 302 493	-	424 302 493
Total	**2 489 227 980**	**(264 178 423)**	**2 225 049 557**	**2 194 132 621**	**(230 300 124)**	**1 963 832 497**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Revaluations	Transferred to expenditure	Depreciation	Impairment loss	Total
Land	2 090 260	-	-	-	199 740	-	-	-	2 290 000
Buildings	11 505 640	-	-	-	1 186 593	-	(501 233)	-	12 191 000
Plant and machinery	1 794 193	-	-	-	-	-	(421 957)	(268)	1 371 968
Office furniture	656 006	175 730	(1 337)	-	-	-	(211 666)	(502)	618 231
Official vehicles	8 522 960	685 000	(350 228)	-	-	-	(2 560 469)	-	6 297 263
Office equipment	316 478	54 840	(980)	-	-	-	(110 696)	-	259 642
Computer equipment	2 263 012	1 175 165	(195 370)	-	-	-	(909 587)	(34 032)	2 299 188
Infrastructure	1 512 381 455	-	(6 270 759)	39 963 311	-	-	(33 671 678)	(247 672)	1 512 154 657
Work in progress	424 302 493	356 437 470	-	(39 963 311)	-	(53 209 044)	-	-	687 567 608
	1 963 832 497	**358 528 205**	**(6 818 674)**	**-**	**1 386 333**	**(53 209 044)**	**(38 387 286)**	**(282 474)**	**2 225 049 557**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Transferred to expenditure	Depreciation	Impairment loss	Write- Offs	Total
Land	2 736 528	-	-	-	29 880	-	-	-	(676 148)	2 090 260
Buildings	11 292 520	-	-	-	683 891	-	(470 771)	-	-	11 505 640
Plant and machinery	2 230 514	-	(4 844)	-	-	-	(431 477)	-	-	1 794 193
Office furniture	856 544	25 881	(3 105)	-	-	-	(223 314)	-	-	656 006
Official vehicles	10 591 158	466 326	-	-	-	-	(2 534 524)	-	-	8 522 960
Office equipment	348 711	103 456	-	-	-	-	(135 689)	-	-	316 478
Computer equipment	2 205 415	993 415	(35 598)	-	-	-	(900 220)	-	-	2 263 012
Infrastructure	1 533 894 612	-	(600 050)	12 047 286	-	-	(32 876 230)	(84 163)	-	1 512 381 455
Work in progress	255 127 048	192 389 643	-	(12 047 286)	-	(11 166 912)	-	-	-	424 302 493
	1 819 283 050	**193 978 721**	**(643 597)**	**-**	**713 771**	**(11 166 912)**	**(37 572 225)**	**(84 163)**	**(676 148)**	**1 963 832 497**

Revaluations

Land and buildings are re-valued independently annually

The effective date of the revaluations was 30 June 2017. Revaluations were performed by an independent valuer, P Venter who has been appointed as a candidate valuer according to the Property Valuers Profession Act 47 of 2000 and was assisted by HJ Swanepoel who is a professional valuer. Both Venter and Swanepoel are not connected to the municipality and have recent experience in location and category of the property, plant and equipment being value

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6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Other intangible assets	1 981 409	(455 494)	1 525 915	1 178 643	(213 938)	964 705

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Other intangible assets	964 705	802 766	(241 556)	1 525 915

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Other intangible assets	1 060 696	(95 991)	964 705

7. Payables from exchange transactions

	2017	2016
Trade payables	130 329 583	125 411 214
Retention	18 219 562	14 858 636
Staff leave	5 139 632	5 092 203
Other Creditors	1 044 874	1 243 260
	154 733 651	**146 605 313**

8. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
EPWP Incentive	36 045	-
DWAF	24 816 286	-
Rural Household Infrastructure Grant	418	418
WSIG	11 907 460	-
Department of Sport	897 237	897 237
Vuna awards - Conditional Grant	710	710
	37 658 156	**898 365**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

9. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Long service awards contributions	4 712 000	483 000	(358 873)	266 873	5 103 000
Post Employment Medical Aid Contribution	32 262 000	1 950 000	(1 440 562)	(337 438)	32 434 000
	36 974 000	**2 433 000**	**(1 799 435)**	**(70 565)**	**37 537 000**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Long service awards contributions	4 096 000	462 000	(213 848)	367 848	4 712 000
Post Employment Medical Aid Contribution	27 621 000	1 911 000	(1 216 218)	3 946 218	32 262 000
	31 717 000	**2 373 000**	**(1 430 066)**	**4 314 066**	**36 974 000**

9. Provisions (continued)

Employee benefit cost provision

BACKGROUND

One Pangaea Financial (‘OPF’) performed the actuarial valuation of Dr Ruth Segomotsi Mompatis Municipality’s post employment health care liability at 30 June 2017 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP25) of the Accounting Standards Board (ASB) Directive 5.

This investigation is for financial reporting and is addressed only to the management of Dr Ruth Segomotsi Mompati Municipality. it is addressed neither to the members nor the trustees of any medical scheme. This report is confidential to the party to whom it is addressed..

PRIMARY OBJECTIVE

The primary objective of this investigation is to quantify the present value of post employment healthcare liabilities in terms of GRAP 25 for employees:

a) Current continuation retirees; and
b) Future continuation retirees emanating from the current active and inactive medical scheme members employed by Dr Ruth Segomotsi Mompatis Municipality.

An expense for the 2016/17 financial year will be derived and a projected expense for the following year will be calculated for budget purposes.

NATURE OF THE LIABILITY

The employer’s post-employment health care liability consists of a commitment to pay a portion of the pensioners’ post- -employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The liability generated by the obligation to subsidise medical contribution in retirement, for qualifying retirees and their eligible dependants, is classified as a defined benefit liability in terms of GRAP 25

Dr Ruth Segomotsi Mompati is committed to pay subsidiaries broadly as follows

a) Between 40% and 60% to current employees;
b) 70% to current continuation retirees
c) Widow (er)s and orphans of current employees are entitled to continue at 70%, the subsidy upon death of the pensioner.

The subsidy percentages were provided to us by Dr Ruth Segomotsi Mompati and are not verifiable.

9. Provisions (continued)

LIABILITIES

BALANCE SHEET ACCRUED LIABILITY

	30 June 2016 R 000s	30 June 2017 R 000s	30 June 2018 R 000s
Active employees	16 429	16 627	19 841
Continuation pensioners	15 833	15 807	16 603
Employers adjusted closing accrued liability	32 262	32 434	36 444

FUNDING LEVEL

	30 June 2016 R 000s	30 June 2017 R 000s	30 June 2018 R 000s
Employer's accrued liability	32 262	32 434	36 444
Fair value of plan assets			
Funded status at valuation date	32 262	32 434	36 444

The actual expense for the 2016/17 financial year together with the projected expense for the 2017/18 financial year is as follows:

	30 June 2017 Actual R 000s	30 June 2018 Projected R 000s
Service cost	1 950	1 525
Interest cost	3 015	3 256
Actuarial (gain)/loss recognised	(4 020)	
Annual expense	945	4 781
benefits paid	(773)	(771)
Change in Net Liability	172	4 010

Notes:

1. Service cost increased the liability by R1,950,000.
2.Interest cost over the valuation period results in an increase in the liability by R 3,015,000..
3. Expected benefit payments towards continuation pensioners currently being subsidise for medical contributions for the 2016/17 year amounted to R773,000..
4. The net discount rate changed from 0.85% to 1.46% during the valuation period. Theincrease in the net discount rate is inversely related to the accrued obligation. As a resultthe increase in the discount rate resulted in a decrease to the accrued liability.
5.The movements in number of participants resulted in a decrease to the accrued liability.
6.Medical contribution increases as at 1 January 2017 resulted in an increase to the accrued liability.
7. The miscellaneous items in the data resulted in a decrease to the liability by R3,627,000. Factors that make up the miscellaneous items are changes to data from prior year and variations from demographic assumptions (i.e. rates of withdrawal).

9. Provisions (continued)

DISCOUNT RATE

The effect of a one percent increase and decrease in the net discount rates is as follows:

	1% decrease R 000s	**30 June 2017 Valuation basis R 000s**	**1% increase R 000s**
Employer's accrued liability	27 898	32 434	38 129
Service cost	1 202	1 525	1 946
Interest cost	2 791	3 256	3 830

As per the table above, a 1% increase in the net discount rate result in a 14.53% decrease in the accrued liability whilst a 1% decrease in the decrease in the discount rate will result in an 18.79% increase in the liability.

MORTALITY

The table that follows shows the impact of a change in the mortality assumption from SA85-90 with a two year adjustment.

	30 June 2017 Valuation basis SA85-90 R 000s	**SA85-90-2* R 000s**
Employer's accrued liability	32 434	33 666
Service cost	1 525	1 574
Interest cost	3 256	3 377

*SA85-90 -2(with a two year age adjustment) means that to each beneficiary we assigned a mortality rate of an individual two years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

The above table highlightsthe effects of a two year adjustment to the mortality assumption as at 30 June 2017. The adjustment would result in a 3.80% increase in the accrued liabilit
The accrued liability is R 32 434 000 as at 30 June 2017.

The net expense for the 2015/16 financial year was R 945 000. The projected net expense for the 2017/18 financial year is R 4 781 000.

The net valuation should be undertaken with an effective date of 30 June 2018 reporting of the 2017/18 expense.

Figures in Rand	2017	2016

10. Government grants and subsidies

Operating grants		
Equitable share	282 287 000	260 499 838
MSIG	-	930 000
EPWP Incentive	2 236 955	2 262 000
FMG	1 249 990	1 250 000
Disaster Management	-	1 616 359
	285 773 945	**266 558 197**
Capital grants		
MIG	230 717 001	148 575 000
DWAF	103 522 714	45 126 692
Rural Transport	2 290 000	2 231 000
MWIG	-	30 000 000
RHIG	-	4 499 582
DWA Refurbishment	-	9 737 000
ACIP	-	11 122 000
WSIG	65 792 540	-
	402 322 255	**251 291 274**
	688 096 200	**517 849 471**

MSIG

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	**-**

EPWP Incentive

Current-year receipts	2 273 000	2 262 000
Conditions met - transferred to revenue	(2 236 955)	(2 262 000)
	36 045	**-**

Conditions still to be met - remain liabilities (see note 8).

FMG

Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
	-	**-**

Disaster Management

Balance unspent at beginning of year	-	1 616 359
Conditions met - transferred to revenue	-	(1 616 359)
	-	**-**

MIG

Balance unspent at beginning of year	-	12 000 000
Current-year receipts	230 717 000	136 575 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(230 717 000)	(148 575 000)
	-	-

Conditions still to be met - remain liabilities (see note 8).

DWAF

Current-year receipts	128 339 000	45 126 692
Conditions met - transferred to revenue	(103 522 714)	(45 126 692)
	24 816 286	**-**

Conditions still to be met - remain liabilities (see note 8).

Rural Transport

Current-year receipts	2 290 000	2 231 000
Conditions met - transferred to revenue	(2 290 000)	(2 231 000)
	-	-

MWIG

Current-year receipts	-	30 000 000
Conditions met - transferred to revenue	-	(30 000 000)
	-	-

RHIG

Balance unspent at beginning of year	418	-
Current-year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(4 499 582)
	418	**418**

Conditions still to be met - remain liabilities (see note 8).

DWA Refurbishment

Current-year receipts	-	9 737 000
Conditions met - transferred to revenue	-	(9 737 000)
	-	-

ACIP

Current-year receipts	-	11 122 000
Conditions met - transferred to revenue	-	(11 122 000)
	-	-

WSIG

Current-year receipts	77 700 000	-
Conditions met - transferred to revenue	(65 792 540)	-
	11 907 460	**-**

Conditions still to be met - remain liabilities (see note 8).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Government grants and subsidies (continued)

Deployment of Engineers Grant

Conditions still to be met - remain liabilities (see note 8)

Department of Sport

Balance unspent at beginning of year	897 237	897 237

Conditions still to be met - remain liabilities (see note 8).

Rural Sanitation Programme

Conditions still to be met - remain liabilities (see note 8).

Vuna Awards - Conditional Grant

Balance unspent at beginning of year	710	710

Conditions still to be met - remain liabilities (see note 8)

11. Revenue

Other income	343 993	797 369
Rental of facilities and equipment	942 373	797 142
Interest received - external investment	14 195 977	6 642 773
Government grants & subsidies	688 096 200	517 849 471
Other Income	1 533 617	-
	705 112 160	**526 086 755**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	343 993	797 369
Rental of facilities and equipment	942 373	797 142
Interest received - external investment	14 195 977	6 642 773
	15 482 343	**8 237 284**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	688 096 200	517 849 471
Other Income	1 533 617	-
	689 629 817	**517 849 471**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Employee related costs

Basic	66 418 324	59 649 704
Contribution to UIF, pension and medical aid	18 869 122	17 415 459
Leave pay provision charge	1 773 011	1 603 771
Travel and motor car allowances	12 896 847	12 713 664
Overtime payments	3 138 850	2 697 673
Housing benefits and allowances	2 271 130	2 099 368
Bonus	4 542 128	4 203 816
Long service awards	483 000	462 000
Telephone - Officials	635 076	389 855
	111 027 488	**101 235 310**

Remuneration of the Municipal Manager

Annual Remuneration	876 281	836 705
Car Allowance	144 000	144 000
Housing Allowance	282 457	263 196
Contributions to UIF, Medical and Pension Funds	172 795	164 943
Cellphone Allowance	20 119	18 480
Leave Pay	73 025	53 636
	1 568 677	**1 480 960**

Remuneration of the Chief Finance Officer

Annual Remuneration	803 032	766 764
Car Allowance	72 000	72 000
Housing Allowance	219 457	208 234
Contributions to UIF, Medical and Pension Funds	190 956	180 261
Cellphone Allowance	11 239	7 200
Leave Pay	72 068	46 401
Bonus	65 408	63 897
	1 434 160	**1 344 757**

Remuneration of Corporate Services Manager

Annual Remuneration	753 512	719 480
Car Allowance	120 000	113 939
Housing Allowance	183 916	176 251
Contributions to UIF, Medical and Pension Funds	148 720	142 133
Cellphone Allowance	11 239	6 400
Leave Pay	62 794	64 570
Bonus	61 375	59 957
	1 341 556	**1 282 730**

Remuneration of Executive Support Manager

Annual Remuneration	743 548	709 966
Car Allowance	185 887	157 492
Housing Allowance	207 515	145 223
Contributions to UIF, Medical and Pension Funds	55 107	124 510
Cellphone Allowance	11 239	3 200
Leave Pay	47 664	45 512
Bonus	60 563	59 164
	1 311 523	**1 245 067**

Figures in Rand	2017	2016

12. Employee related costs (continued)

Remuneration of Chief Audit Executive

Annual Remuneration	743 547	709 966
Car Allowance	73 913	73 913
Housing Allowance	273 392	258 576
Contributions to UIF, Medical and Pension Funds	160 492	152 636
Cellphone Allowance	4 649	-
	1 255 993	**1 195 091**

Remuneration of Engineering Services Manager

Annual Remuneration	743 547	709 966
Car Allowance	77 395	81 183
Housing Allowance	244 130	227 449
Contributions to UIF, Medical and Pension Funds	187 272	177 012
Cellphone Allowance	11 239	9 600
Leave Pay	66 730	45 510
	1 330 313	**1 250 720**

Remuneration of Economic Development, Tourism & Agricultural Manager

Annual Remuneration	814 401	777 620
Car Allowance	168 000	194 405
Housing Allowance	181 890	139 352
Contributions to UIF, Medical and Pension Funds	207 195	197 890
Cellphone Allowance	9 310	-
Leave Pay	49 848	47 058
	1 430 644	**1 356 325**

Remuneration of Community Services Manager

Annual Remuneration	743 547	709 966
Car Allowance	84 000	84 000
Housing Allowance	176 236	167 684
Contributions to UIF, Medical and Pension Funds	186 314	172 728
Cellphone Allowance	11 239	6 400
Leave Pay	47 664	40 960
Bonus	60 563	59 164
	1 309 563	**1 240 902**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Remuneration of councillors

Councillors - Refer to Related Parties note for details	6 400 125	6 177 327

14. Depreciation and amortisation

Property plant and equipment	38 387 285	37 101 454
Intangible assets	241 557	95 991
	38 628 842	**37 197 445**

15. Bulk purchases

Water	130 060 976	134 363 874

16. Grants and subsidies paid

Other subsidies		
Community learnership programme	-	513 158
Grants paid to local municipalities	77 529 001	50 860 308
Grants paid to LED projects	1 526 099	1 589 621
Grants paid to tourism projects	-	200 000
	79 055 100	**53 163 087**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. General expenses

Advertising	502 067	565 156
Auditors remuneration	4 033 186	3 098 938
Bacterial Testing and Analysis	74 193	144 263
Bank charges	52 026	48 738
Books and publications	2 109	13 438
Bursaries for Officials	273 126	259 507
Cleaning materials and consumables	84 854	95 100
Community functions	838 291	1 078 496
Congress and Conferences	286 863	363 445
Legal Fees	1 355 846	915 015
Donations: Executive Mayor's Fund	29 605	84 036
Electricity	707 910	807 772
Entertainment allowance: Mayor and Councillors	1 499	-
Entertainment allowance: SPM	-	4 902
Mayoral Inauguration	193 761	-
Fuel and oil	31 497	173 480
Insurance	666 814	1 524 063
Kitchenware and cutlery	167	323
Membership fees: Societies	128 008	1 941 860
Other	178 988	348 890
Postage stamps and telegraphs	4 154	1 527
Printing and stationery	862 511	1 469 473
Promotion and Marketing	838 605	418 702
Property rates	173 160	162 345
Refreshments and meals	581 612	511 822
Rental - Office	2 903 758	3 007 735
Rental of equipment	1 011 596	934 799
Sanitary and refuse	109 310	91 569
Employee Assistance Programme	46 709	226 340
Sitting allowance	338 000	341 000
Small tools & equipment	5 474	3 323
Software expenses	634 869	716 472
Special Projects	514 988	1 312 860
Sundry expenses	1 436	1 288
Telephone	1 410 486	1 594 974
Training	360 667	838 419
Travel and subsistence: Officials	5 413 021	4 867 554
Uniforms and Protective Clothing	16 560	12 329
Vehicles: Fuel and Oil	1 109 904	1 025 629
Vehicles: Licences	63 731	119 778
Water	19 730	35 720
	25 861 091	**29 161 080**

18. Fair value adjustments

Investment property	1 015 100	149 468

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Cash generated from operations

Surplus	282 221 834	125 021 954
Adjustments for:		
Depreciation and amortisation	38 628 843	37 668 122
Gain on sale of assets and liabilities	6 725 801	1 383 925
Transfers from WIP	53 209 044	11 166 912
Fair value adjustments	(1 015 100)	(149 468)
Impairment deficit	282 473	7 057
Debt impairment	141 266	(310 140)
Movements in provisions	563 000	1 416 038
Finance costs	3 677	2 862 000
Other non-cash items	-	(4 501 764)
Operating Lease	(66 905)	-
Changes in working capital:		
Consumer debtors	-	310 140
Receivables from non-exchange transactions	(7 297 505)	9 666 453
Prepayments	10 241 893	(10 241 893)
Payables from exchange transactions	8 128 338	45 969 504
VAT	(21 615 895)	10 324 343
Unspent conditional grants and receipts	36 759 791	(33 623 026)
	406 910 555	**196 970 157**

20. Contingent Liabilities

The following litigation are in the process against the municipality relating to disputes:

1. G & HG SILVER BLUE CONSTRUCTION JV

This Joint Venture instituted legal proceedings against the municipality for payment of an amount of R15,409,361.55 allegedly being due to them in respect of Bid nr BDM2007-013B and the termination of the Joint Venture's services in respect thereof. The plaintiff has not taken any initiative in quite a while and the municipal legal representative is awaiting a notice of set down. The delay in the proceeding is due to the death of the plantiff's lawyer.

2. PERFORMANCE BONUSES

The district municipality has a performance agreement with senior managers for performance bonuses to be paid after performance assessment of the managers has been done and the results are approved by council. Since the 2012/13 year end, Council has not paid out any of the performance bonuses to senior managers .Assessments have be done on the performance of all senior managers up until the 2014/15 year end. The municipality to be prudent has been calculating the possible pay out to Senior Managers based on the maximum percentage as per the performance agreement. The accumulated amounts calculated are R 6 810 861 in the current year and R 5 266 869 for 2016.

21. Unauthorised expenditure

Balance brought forward	43 028 362	267 606 418
Add: Unauthorised Expenditure - current year	42 035 250	43 028 362
Less: Amounts condoned	-	(267 606 418)
	85 063 612	**43 028 362**

No amounts have been written off or condoned during the year. Investigations are still in progress and as a result no criminal or disciplinary steps have been taken as a consequence of the above expenditure as yet.

There was a correction to the VAT impairment that was incorrectly done in the prior year of R 12 240 792 and therefore the unauthorised expenditure would have been less by that amount in the 2015/16 year end

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Irregular expenditure

Balance brought forward	200 092 166	614 220 771
Add: Irregular Expenditure - current year	302 484 889	200 092 166
Less: Amounts condoned	-	(614 220 771)
No amounts have been written off or condoned during the year. Investigations are still in progress and as a result no criminal or disciplinary steps have been taken as a consequence of the above expenditure as yet	-	-
	502 577 055	**200 092 166**

Details of irregular expenditure (Cumulative Balance)

Tax Clearance	1 788 776
Adverts	1 534 962
Roster	185 180 346
Quotations	49 342 657
CSD	32 013 983
Sec 21(d) Non - Compliance	230 756 438
Councillor Remuneration	854 190
Trade Receivables written off	1 105 703
	502 577 055

23. Fruitless and wasteful expenditure

Balance brought forward	103 128	69 367
Fruitless and wasteful expenditure current year	36 925	33 761
Balance carried forward	**140 053**	**103 128**

The fruitless and wasteful expenditure relates to interest incurred on overdue accounts.

No fruitless and wasteful expenditure was written off or condoned during the year. No investigations have been undertaken and as a result no criminal or disciplinary steps have been taken as a consequence of the above expenditure.

24. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

25. Events after the reporting date

There were no events after reporting period date.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	514 529 176	381 757 562
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	14 796 578	14 796 578
Total capital commitments		
Already contracted for but not provided for	514 529 176	381 757 562
Not yet contracted for and authorised by accounting officer	14 796 578	14 796 578
	529 325 754	**396 554 140**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 134 933	2 902 716
- in second to fifth year inclusive	-	3 134 933
	3 134 933	**6 037 649**

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	963 014	875 467
- in second to fifth year inclusive	775 109	1 738 123
	1 738 123	**2 613 590**

27. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risks and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

27. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call and notice deposits
- Development Bank of Southern Africa loans

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

28. Related parties

Relationships

Members of key management

Mr. Z.E.L. Tshetlho (Accounting Officer) - 01 July 2016 - 31 July 2017
Mrs. E. Moncho (Accounting Officer - Acting Municipal Manager) - From 01 August 2017
Ms. S Phatudi (Chief Financial Officer)
Mrs. M. Makhonofane (Senior Manager: Economic Development & Tourism)
Mrs. D. Dambuza (Senior Manager: Corporate Services)
Mr F. Buys (Senior Manager: Internal Auditor)
Mrs. E. Moncho (Senior Manager: Executive Support)
Mrs Koketso Maje (Acting Senior Manager: Executive Support)
Mr. W. Jood (Senior Manager: Engineering Services)
Mr. V. Tlhabanelo (Senior Manager: Community Services)

All councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the council in making financial and operational decisions.

During the financial year no councillor or official had any interest in related parties and no one could control or influence council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

Refer to note 12 for the detailed remuneration of Section 57 managers.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Naledi Local Municipality	(257 921)	(2 388 557)
Mamusa Local Municipality	(2 755 677)	-
Lekwa-Teemane Local Municipality	3 000 000	-

Remuneration of management

Council Members

Notes to the Annual Financial Statements

Figures in Rand

28. Related parties (continued)

2017

Name	Basic salary	Travel Allowance	Housing Allowance	Telephone Allowance	Pension, Medical Aid & SDL	Sitting Allowance	Total
Cllr B.L. Mahlangu - Executive Mayor (Appointed 10 August 2016)	418 130	94 752	112 438	22 161	51 412	-	698 893
Cllr L.V. Maogwe - Speaker (Appointed 10 August 2016)	332 854	75 801	114 815	22 161	16 940	-	562 571
Cllr K.L. Mamapula - MMC: Economic Development, Tourism & Agriculture (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 472	-	250 649
Cllr V.L. Molefe - MMC: Budget and Treasury (Appointed 10 August 2016)	148 901	37 225	62 042	-	2 511	-	250 679
Cllr M.K.I. Olifant - MMC: Planning & Development (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 432	-	250 609
Cllr O.R. Modise - MMC: Community Services (Appointed 10 August 2016)	148 901	37 225	62 051	-	2 542	-	250 719
Cllr B. Setlhabetsi - MMC: Corporate Services (Appointed 10 August 2016)	280 668	67 005	71 102	22 161	47 187	-	488 123
Cllr G.D. Kgabo - MMC: Engineering and Technical Services (Appointed 10 August 2016)	280 668	67 005	113 965	22 161	4 704	-	488 503
Cllr O.P. Moirwagale - Chair: Municipal Public Accounts Committee (Appointed 10 August 2016)	162 866	37 147	63 950	22 161	2 787	-	288 911
Cllr CP Herbst	4 363	1 091	1 163	-	785	13 736	21 138
Cllr DJ Molapo (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 383	962	237 648
Cllr OJ Balebanye (Appointed 10 August 2016)	-	-	-	-	24	3 848	3 872
Cllr DA Itumeleng (Appointed 10 August 2016)	-	-	-	-	54	4 810	4 864
Cllr MM Mokomele-Mothibi (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 294	-	236 597
Cllr MV Mosinkiemang (Appointed 10 August 2016)	-	-	-	-	127	12 506	12 633
Cllr SD Mothibedi (Appointed 10 August 2016)	-	-	-	-	151	13 736	13 887
Cllr TP Sebe (Appointed 10 August 2016)	-	-	-	-	122	13 736	13 858
Cllr T Tlhaganyane (Appointed 10 August 2016)	-	-	-	-	142	13 736	13 878
Cllr JA Adonis	-	-	-	-	229	24 050	24 279
Cllr AN Bareng (Appointed 10 August 2016)	-	-	-	-	53	7 700	7 753
Cllr ME Keetile (Appointed 10 August 2016)	131 301	29 663	44 076	23 900	7 586	-	236 526
Cllr P Maleke (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 374	-	236 677
Cllr MM Mkandawira (Appointed 10 August 2016)	131 301	29 663	35 074	23 900	16 954	-	236 892
Cllr ETL Mocumi (Appointed 10 August 2016)	131 301	29 663	35 074	23 900	16 874	-	236 812
Cllr SDJ Strydom (Appointed 10 August 2016)	131 301	29 663	49 439	24 200	2 287	-	236 890
Cllr KD Tshite (Appointed 10 August 2016)	131 301	29 663	49 439	23 900	2 354	-	236 657

28. Related parties (continued)

Cllr BR Bareng (Appointed 10 August 2016)	11 674	2 919	4 864	-	209	-	19 666
Cllr MM Diphikwe (Appointed 10 August 2016)	11 674	2 919	4 864	-	229	-	19 686
Cllr TM Lenkopane (Appointed 10 August 2016)	11 674	2 919	4 864	-	199	-	19 656
Cllr LC Loabile (Appointed 10 August 2016)	13 085	3 271	5 609	-	288	962	23 215
Cllr E Van Biljon (Appointed 10 August 2016)	7 387	1 847	3 078	12 258	242	-	24 812
Cllr MW Moseswa (Appointed 10 August 2016)	8 074	2 019	3 364	-	201	-	13 658
Cllr C.E. Tladinyane - Executive Mayor (Resigned 09 August 2016)	48 904	12 226	13 041	4 569	8 031	-	86 771
Cllr N.W. Skalk - Speaker (Resigned 09 August 2016)	39 123	9 781	8 575	3 149	9 310	-	69 938
Cllr M.S. Montshiwagae - MMC: Economic Development, Tourism & Agriculture (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 589	-	64 122
Cllr M.K. Mojanaga - MMC: Budget and Treasury (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 571	-	64 104
Cllr P. Kgosieng - MMC: Planning & Development (Resigned 09 August 2016)	36 678	9 170	7 923	4 569	8 925	-	67 265
Cllr M.S. Moyakhe - MMC: Community Services (Resigned 09 August 2016)	36 678	9 170	6 272	1 413	10 571	-	64 104
Cllr K. Sereko - MMC: Corporate Services (Resigned 09 August 2016)	36 678	9 170	7 923	9 099	9 030	-	71 900
Cllr S.F. Kgodumo - MMC: Engineering and Technical Services (Resigned 09 August 2016)	36 678	9 170	8 130	1 440	7 751	-	63 169
Cllr O.V. Mongale - Chair: Municipal Public Accounts Committee	6 961	-	-	491	195	-	7 647
Cllr LD Motlapele	3 848	-	-	-	29	-	3 877
Cllr MP Ditshakane (Resigned 09 August 2016)	-	-	-	-	128	13 736	13 864
Cllr JL Halenyane (Resigned 09 August 2016)	-	-	-	-	19	3 848	3 867
Cllr MS Kanyane (Resigned 09 August 2016)	-	-	-	-	79	5 772	5 851
Cllr R Mokoto (Resigned 09 August 2016)	-	-	-	-	29	5 772	5 801
Cllr KP Molifi (Resigned 09 August 2016)	-	-	-	-	29	5 772	5 801
Cllr JG Brand (Resigned 09 August 2016)	15 330	3 833	6 387	4 400	292	-	30 242
Cllr MJ Nchochoba (Resigned 09 August 2016)	-	-	-	-	10	1 924	1 934
Cllr KD Baepi (Resigned 09 August 2016)	1 411	353	384	-	282	-	2 430
Cllr LE Gaobepe-Boemo (Resigned 09 August 2016)	1 411	353	587	-	23	-	2 374
Cllr MP Letebele (Resigned 09 August 2016)	15 330	3 833	3 704	4 400	3 128	-	30 395
Cllr KV Mokhuane (Resigned 09 August 2016)	15 330	3 833	6 387	4 400	371	5 772	36 093
Cllr GK Nthebotsenyane (Resigned 09 August 2016)	1 411	353	333	-	358	2 886	5 341
Cllr MG Tong (Resigned 09 August 2016)	15 330	3 833	3 627	4 400	3 192	-	30 382
Cllr IM Snyman (Resigned 09 August 2016)	976	244	406	-	16	-	1 642

28. Related parties (continued)

	3 574 562	**838 561**	**1 199 913**	**359 719**	**272 106**	**155 264**	**6 400 125**

2016

Name	Basic salary	Travel Allowance	Housing Allowance	Telephone Allowance	Pension, Medical Aid & SDL	Sitting Allowance	Total
Cllr C.E. Tladinyane - Executive Mayor	454 807	113 702	121 282	14 396	74 627	-	778 814
Cllr N.W. Skalk - Speaker	363 846	90 962	79 746	14 141	77 014	-	625 709
Cllr M.S. Montshiwagae - MMC: Economic Development, Tourism & Agriculture	341 106	85 277	58 332	6 191	88 732	-	579 638
Cllr M.K. Mojanaga - MMC: Budget and Treasury	341 106	85 277	58 332	5 701	88 652	-	579 068
Cllr P. Kgosieng - MMC: Planning & Development	341 106	85 277	73 682	23 091	73 507	-	596 663
Cllr M.S. Moyakhe - MMC: Community Services	341 106	85 277	58 332	7 169	88 646	-	580 530
Cllr K. Sereko - MMC: Corporate Services	341 106	85 277	73 682	17 641	73 383	-	591 089
Cllr S.F. Kgodumo - MMC: Engineering and Technical Services	341 106	85 277	75 612	5 666	71 241	-	578 902
Cllr O.V. Mongale - Chair: Municipal Public Accounts Committee	62 920	-	-	2 101	1 153	1 816	67 990
Cllr. L. Motlapele	-	-	-	-	49	4 810	4 859
Cllr C.P. Herbst	-	-	-	-	49	4 756	4 805
Cllr. M.P. Ditshakane	-	-	-	-	353	32 600	32 953
Cllr. J.L. Halenyane	-	-	-	-	91	12 344	12 435
Cllr. MS. Kanyane	-	-	-	-	236	18 224	18 460
Cllr. R. Mokoto	-	-	-	-	101	15 284	15 385
Cllr. K.P. Molifi	-	-	-	-	78	10 582	10 660
Cllr. JB Moncho	-	-	-	-	30	908	938
Cllr. JG Brand	91 395	22 848	38 080	16 312	2 044	-	170 679
Cllr. M.G. Tong	137 089	34 272	30 388	3 660	28 785	-	234 194
Cllr. KV Mokhuane (Replaced Cllr. Toba)	45 696	11 424	19 040	8 156	1 323	-	85 639
Cllr. L.E. Gaobepe-Boemo	12 318	3 080	5 133	-	224	-	20 755
Cllr. M.J. Nchochoba	-	-	-	-	93	11 544	11 637
Cllr. I.M. Snyman	8 725	2 185	3 635	-	170	-	14 715
Cllr. A.J. Adonis	-	-	-	-	350	45 160	45 510
Cllr L.C. Loabile	12 616	3 155	5 255	-	230	-	21 256
Cllr K.D. Baepi	12 616	3 155	3 364	-	2 271	-	21 406

28. Related parties (continued)

Cllr. G.K. Nthebotsenyane	12 616	3 155	2 796	-	2 880	962	22 409
Cllr. MP Letebele	137 089	34 272	30 388	29 495	28 904	908	261 056
Cllr. D. Van Tonder	36 382	9 095	3 857	6 493	12 665	-	68 492
Cllr. G Toba	68 645	17 165	18 843	1 911	14 881	-	121 445
	3 503 396	**860 132**	**759 779**	**162 124**	**732 762**	**159 898**	**6 178 091**

29. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed:

1. This arose as result of the operating lease between the District Municipality (lessor) and the Department of Transport and Public Works (lessee) being signed in January 2017, which is the 2016 - 17 year end, but the period of the lease being from 1 April 2016 to 31 March 2019, which fell as a part of the 2015 - 16 year end for 3 months. As this lease is for 3 years, the income was straightlined over the period which resulted in an operating lease asset being created. The effect of this was a creation of a operating lease asset of R 22 065 and an increase in rental income of R 22 065.

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2. There was also a correction of the DWAF debtor that was raised in error as a result of duplicated invoices in the 2014/15 year end. This adjustments resulted in a decrease in trade receivables of R 7 304 530 and a decrease in opening accumulated surplus of R 7 304 530.

There was also a correction of misallocated payments received from pensioner debtors. This adjustment resulted in a decrease in trade receivables of R 55 934 and decrease in opening accumulated surplus of R 55 934.

3.This was a result of incorrect treatment of the VAT on the prepayment amount. The adjustment resulted in a decrease in the prepayment of R 1 400 000 and an increase in the VAT receivable of R 1 400 000.

4. This resulted from incorrectly duplicating the interest received from the short term investments and the incorrect accounting for amounts relating to an account that was closed in the 2014/15 year end. The resulted in a decrease in cash and cash equivalents of R 37 108 and an increase in accumulated surplus of R 37 108 as both errors occurred prior to the 2015/16 year end.

5. There was vacant land owed by the district municipality that was incorrectly classified as property, plant and equipment instead of investment property. The adjustment resulted in an increase in investment property of R 613 562 and a decrease in property, plant and equipment of R 613 562.

6.This is as a result of assets that should have had their useful live adjusted in the prior year, as the asset were reaching the end of the useful lives yet the District Municipality had plans to use the assets in the foreseeable future. This adjustment resulted in increase in depreciation of R 17 819 and an increase in accumulated depreciation if R 17 819.

7. There was also a correction the Work In Progress which was a result of a duplicate payment that was made on a project in the prior year. This resulted in an increase in trade receivables from non- exchange of R 598 143.90 and decrease in WIP of R 598 143.90.

8. There was also a transaction that was accounted for excluding the retention withheld on the payment. This resulted in an increase in retentions of R 109 202 and an increase in WIP of R 109 202.

9. Long outstanding deposits on projects that have not been claimed by the contractors have been realised to revenue as these amounts have prescribed. The adjustment resulted in a decrease in deposits of R 404 353 and an increase in revenue (Other income) of R 404 353.

10. There were also long outstanding creditors that have prescribed that have been transferred to accumulated surplus. These adjustments resulted in decrease in the payables from exchange transactions of R 974 606 and an increase in accumulated surplus of R 974 606.

29. Prior period errors (continued)

11. This related to payments made on projects or programmes that have been funded by Grants, but the payments were made from the District Municipality's equitable share and not the specific grant. The effected grants were Disaster Management Grant, Deployment of Engineers Grant, Transition Grant, Rural Sanitation Programme Grant and LG Seta. The adjustments resulted in a decrease in unspent conditional grants of R 2 657 109, an increase in transfer revenue for 2015/16 of R 1 616 359, increase in other income of R 133 533 and increase in opening accumulated surplus of R 907 217.

12. Performance bonuses for senior managers have previously provided for as provisions although these amounts did fully meet the definition of a provisions per the standards, these amounts should have been classified as contingent liabilities. The adjustment resulted in a decrease in provision of R 5 266 868 a decrease in employee related costs of R 1 425 906 and an increase in opening accumulated surplus of R 3 840 962.

12. There was correction to the debtors balance for incorrect calculations on escalation of rental lease. This adjustment resulted in an increase in trade receivables of R 7 766 and an increase in accumulated surplus of R 7 766.

13. Amounts received from LG Seta were incorrectly accounted for as a grant instead of other income as these amounts were received for learnerships provided to community members This resulted in an increase in other income of R 3 046 and decrease in transfer revenue of R 3 046.

14. There was also an escalation of the previously applicable contract was applied at the incorrect period The effect of this was the creation of an operating lease asset and the increase in the rental income recognised in the statement of financial performance. This resulted in a decrease in rental income of R 9 469 and decrease in trade receivables of R 9 469.

16. The district municipality had also previously not split the value of the land and buildings and was subsequently not providing for depreciation on the buildings. The adjustment resulted in an increase in the 2015/16 depreciation of R 470 771 and an increase to the revaluation reserve of R 470 771.

17. This arose when amounts as per the June statement received from a creditor were incorrectly accounted for as accruals although the amounts were paid for before June 2016. This adjustment resulted in a decrease in contracted services of R 400 990 and a decrease in trade and other payables of R 400 990.

18. These arouse from advertising costs that were duplicated, the payments were paid for before June 2016 and also included as part of accruals. This resulted in a decrease in general expenses of R 40 530 and a decrease in trade payables of R 40 530

19. There was also a correction of amounts incorrectly classified as other expenses instead of impairment losses. This resulted in a decrease of general expenses of R 88 433 and an increase in impairment losses of R 88 433.

There were also transactions/expenses that were duplicated. in the year. This resulted in a decrease in general expenses of R 20 544 and a decrease in trade payables of R 20 544.

20. This arose from the previous incorrect classification of impairment losses as losses on disposals of assets. This resulted in an increase in impairment losses of R 2 787 and a decrease in losses on disposals of assets of R 2 787.

21. There was also an correction of the incorrect account of a loss on disposal of an asset. This resulted in a decrease in loss on disposal of R 84 163.

29. Prior period errors (continued)

22. Amounts relating to the revaluation of items of property, plant and equipment were incorrectly classified as fair value adjustments in the statement of financial performance instead of directly in the revaluation reserve in the statement of net changes. This adjustment has resulted in increase in the revaluation reserve of R 243 000 and decrease in the fair value adjustment of R 243 000.

23. Amount that was incorrectly accounted for in the asset acquisition control account. This related to a decrease in trade receivables of R 2 239 and a decrease in accumulated surplus of R 2 239.

24. There was a reclassification of previously incorrectly classified creditors. This adjustment resulted in a decrease in trade receivables of R 15 167 and an increase in trade payables of R 15 167.

25. There was a correct of uncleared control accounts there had debit balances. This adjustment related to a decrease of R 1 865 in trade receivables and a decrease in accumulated surplus of R 1 865.

26. There was a correct of uncleared control accounts there had credit balances. This adjustment related to a decrease of R 108 731 in trade payables and a decrease in accumulated surplus of R 108 731.

27. The VAT receivable was incorrectly impaired in the prior year. The adjsutment resulted in a decrease in the debt impairment of R 12 240 792 and an increase in VAT Receivable of R 12 240 792.

The cumulative effect of the correction of the errors results in adjustments as follows:

Statement of financial position		
Increase in Operating Lease Asset	-	22 065
Decrease in Receivables from non - exchange transactions	-	(6 783 294)
Decrease in Prepayments	-	(1 400 000)
Increase in VAT receivable	-	13 640 793
Decrease in Cash and cash equivalents	-	(37 108)
Increase in Investment property	-	613 562
Decrease in Property, plant and equipment	-	(1 084 684)
Decrease in Deposits - Error 8	-	404 353
Decrease in Payables from exchange transactions	-	1 421 032
Decrease in Unspent conditional grants and receipts	-	2 657 109
Decrease in Provisions	-	5 266 869
Increase in Revaluation Reserve	-	(713 771)
Increase in Accumulated surplus	-	(14 006 926)
Statement of Financial Performance		
Increase in Other income	-	540 931
Increase in Rental of facilities and equipment	-	12 595
Increase in Government Grants and Subsidies	-	1 613 313
Decrease in Employee related costs	-	1 425 906
Increase in Depreciation and amortisation	-	(452 952)
Decrease in Contracted services	-	400 990
Decrease in General Expenses	-	149 509
Increase in Impairments	-	(7 057)
Decrease in (Loss)/Gain on disposal of assets and liabilities	-	81 376
Decrease in Fair value adjustments	-	(243 000)
Decrease in Debt Impairment	-	12 240 792

30. Prepayments

There were two items prepaid in the prior year. The first being rental expense of 50 Market street and in the current year the rent has been paid on the first of the month as opposed to the 30th/31st of the previous month (in advance) as was done in the 2015/16 year end. The second was an advance to a contractor to purchase specialised equipment that was required for a project, this was a once off request and purchase on the project.

Details of the prepayments are as followed.

Supplier	Amount
Markok Investments (Pty) Ltd	241 893
Murray And Dickson Construction (Pty) Ltd Eigenbau JV (MDE Joint Venture)	10 000 000
Total	**10 241 983**

31. Operating lease asset (accrual)

Current assets	88 970	22 065
Current liabilities	(236 654)	(271 612)
	(147 684)	**(249 547)**

The operating lease asset relates to investment property, ERF 1853, portion of ERF 506 Vryburg, that is being leased to the Department of Transport and Public Work for a 3 year period with a 10% yearly escalation.

The operating lease liabilty relates to the rental of 50 Market Street by the distric from Markork Investment Limited for a period of 3 years with an escalation of 8%.

Please refer to note 26 for disclosure of commitments on the leases.

32. Other financial liabilities

At amortised cost		
DBSA Loan Loan redemption date is 28 February 2027. Interest is only incurred on arrears amounts at an interest rate of 12,75% per annum. This is a loan that was inherited by the district municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality, water and sanitation infrastructure projects.	65 637 565	76 433 888
Non-current liabilities		
At amortised cost	54 837 565	65 633 888
Current liabilities		
At amortised cost	10 800 000	10 800 000

33. Debt impairment

Movement in Impairment Provision	(964 437)	(393 885)
Employee Debtors	1 105 703	83 745
	141 266	**(310 140)**

34. Repairs and Maintenance

Buildings	240 144	86 709
Official Vehicles	946 110	569 432
Computer equipment	1 831 789	801 495
Machinery and equipment	120 108	240 653
Office Equipment	2 891	12 034
	3 141 042	**1 710 323**

35. Awards made to family members of person in service of state - not disclosed in the annual financial statements

Employee Name	Employee Position	Supplier Name	Name of Close family Member	Relations to employee	Award date	Award amount
Mr OT Mothus	Snr Finance Controller: Expenditure	Remoratile Omontle Business Enterprise (Pty) Ltd	Portia Lorato Mothusi	Spouse	28/06/2017	3000

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	4 777 368	4 777 368
Cash and cash equivalents	82 498 973	82 498 973
	87 276 341	**87 276 341**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	154 733 651	154 733 651
Unspent conditional grants and receipts	37 658 156	37 658 156
DBSA Loan	65 633 888	65 633 888
	258 025 695	**258 025 695**

2016

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	11 061 594	11 061 594
Cash and cash equivalents	45 661 472	45 661 472
	56 723 066	**56 723 066**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	146 605 313	146 605 313
Unspent conditional grants and receipts	898 365	898 365

. Financial instruments disclosure (continued)

DBSA Loan	76 433 888	76 433 888
	223 937 566	**223 937 566**

37. Non - compliance with MFMA

The following instances of non-compliance to MFMA were done by the district municipality.

The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA.

Money owed by the municipality was not always paid with 30 days, as required by section 65(2) of the MFMA.

Effective steps were not taken to prevent irregular expensiture amounting to R 295 953 408 as disclosed on note 22 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

Awards were made to providers who were in the service of other state institution or whose directors/principal sharehplders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM preocess, as required by SCM regulation 38(1).

The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

38. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year audit fee	4 033 186	3 098 938
Amount paid - current year	(4 025 380)	(3 098 938)
	7 806	**-**

PAYE and UIF

Current year payroll deductions	22 402 968	19 862 404
Amount paid - current year	(22 402 968)	(19 862 404)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	15 833 134	14 960 673
Amount paid - current year	(15 833 134)	(14 960 673)
	-	-

39. Deviation from supply chain management regulations

The following deviations from and ratification of minor breaches of procurement processes.

Qoutations R 789 036